

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

EX PARTE: IN RE: REVIEW AND)
UPDATE OF THE REGULATIONS)
AND GUIDELINES OF THE)
LOUISIANA PUBLIC SERVICE)
COMMISSION APPLICABLE TO)
CUSTOMER OWNED COIN)
OPERATED TELEPHONE SERVICE)
PROVIDERS AND ALTERNATE)
OPERATOR SERVICE PROVIDERS.)
)
)

DOCKET NO. R-31891

COMMISSION STAFF RECOMMENDATIONS
(October 19, 2012)

I. BACKGROUND

At the March 23, 2011 Business and Executive Session, the Louisiana Public Service Commission ("Commission") instituted this investigation to review and update, as required, the Commission's regulations and guidelines applicable to COCOT and Alternate Operator Service ("AOS") providers. The Commission was particularly interested in the rates charged to inmates incarcerated in State, Parish and local correctional facilities. A number of AOS providers intervened, the Staff conducted discovery and a technical conference was conducted. The Commission Staff carefully considered all of the information and data provided, the Commission's prior Orders on these issues and the positions taken and opinions

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expressed by all of the participants in this Docket. Set forth below are a series of Staff Recommendations for changes to the Commission's AOS Regulations and Guidelines. Any recommendations adopted by the Commission will ultimately be incorporated into a revised General Order.

The Commission Staff seeks, from all parties to this Docket, comment and input on the Recommendations. We therefore request that you submit comments no later than Tuesday, November 6, 2012. Please provide comments on each individual proposal and cite any authority you deem appropriate. Your comments should be provided to all parties on the Official Service List in this Docket and via email if those email addresses are available. To the extent that any confidential or proprietary information is contained in your comments, the provisions of the Confidentiality Agreement in this Docket will provide protection for that information/data. We look forward to receipt of your comments.

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II. INTRODUCTION

The telecommunications industry and the manner in which rates were set have changed dramatically since the Commission adopted the level and structure of rates in Order Nos. U-17957, U-178957-A, U-17957-B and U-17957-C (the "General Orders"). Rates were set, in part, based on the time of day the call was made, whether it was local, intra-LATA intrastate, inter-LATA intrastate, or interstate, the mileage between the central offices originating and terminating the call, whether it was a person to person or station to station call, as well as the length of the call. Rate "caps" were established that set the maximum amounts that could be charged for calls combining choices from these criteria above. There is a cap for an intra-LATA, daytime, station-to-station call, in the 41-55 mile mileage band, lasting 9 minutes. There is a different cap for an inter-LATA, evening, person to person call in the 125-196 mile mileage band lasting 13 minutes. A change in any one of those variables triggers the use of a different rate cap. This results in literally hundreds of different caps on these calls under current Commission-approved rates. The level of the caps was determined by establishing a "benchmark group" consisting of AT&T, MCI, Sprint and South Central Bell. Caps were established by utilizing the highest rate for each category of service.

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Since the adoption of the General Orders, the technology utilized to deliver telecommunications services to correctional facilities has changed dramatically. The vast majority of service to correctional institutions in Louisiana is delivered via Voice Over Internet Protocol ("VOIP"). The carriers in this Docket all indicated that they are moving toward 100% use of the VOIP technology. The VOIP technology is far less expensive than the old switch technology that was in place when the General Orders were adopted.

The cost to provide the basic telecommunications services has declined dramatically because of the improvement in technology. In addition, the difference in cost of providing different services (*e.g.*, local, intra-LATA, inter-LATA) has been virtually eliminated. In many respects, costs do *not* vary based on time of day, call mileage, whether the call is intra-LATA/inter-LATA, for the first minute versus additional minutes, or the type of call (station-to-station, collect, station-to-station third number, station-to-station operator handled, calling card, or person-to-person). Staff firmly believes, based on all of the information obtained during this investigation, that cost differential based on the variables cited above, is insignificant.

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Given this background, the Staff is recommending that both the level of the rate caps and the structure of rates be revised. In addition, the Staff recommends that certain unauthorized surcharges be eliminated. Finally, Staff proposes a timetable for the implementation of these changes.

III. STAFF RECOMMENDATION

A. Revised Rate Design

The Staff recommends that rates be simplified to the maximum extent possible. All rate differentials based on inter-LATA, intra-LATA, mileage bands, collect, third party billed, person to person, time of day, etc. be eliminated. Current technology and the cost to provide service does not support the hundreds of different rate caps currently in existence. A single rate cap should be established for all intrastate calls.

B. Revised Rate Cap

A single rate cap should be implemented as follows:

<u>Initial Charge</u>	<u>Per MOU</u>
\$1.69	.05

This will produce a total \$2.29 charge for an average 12 minute call.

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C. Additional Surcharges

There are a variety of surcharges that are being collected by the carriers that, as far as the Staff has determined, have not been authorized by any of the Commission's General Orders and have not been approved by an affirmative vote of the Commission. These include, but are not limited to, surcharges labeled "Transaction Processing Fee," "Wireless Administration Fee," "Refund Fee," "Prepaid Funding By Phone," "Prepaid Funding By Website," "Biometric Service Charge," "Bill Statement Fee."

The Commission Staff is not recommending, at this time, that there be refunds for past unauthorized surcharge collections. It is recommending that since none of these surcharges are authorized by prior Commission Orders, nor by a majority vote of the Commission, that collection for these surcharges cease immediately. In commenting on this Staff Recommendation, please provide citations to any Commission Orders or votes approving any of these surcharges.

D. Right of Carriers to Seek Exemptions/Exceptions from Commission Requirements

The Staff is recommending the establishment of a single rate cap, the maximum amount that may be charged under that cap, and that the Commission direct the carriers to cease collecting surcharges not approved, by affirmative vote,

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by the Commission. However, the Staff recommends that the carriers have the opportunity to seek exemptions or exceptions to the rate cap and the surcharge prohibitions. Any carrier seeking an exemption or exception from these proposed requirements should be required to make a filing with the Commission specifically requesting any such exemption or exception. An affirmative majority vote of the Commission is required to approve any exemption or exception. Simply filing a tariff containing such an exemption or exception, without an affirmative vote of the Commission approving such exemption or exception, is not sufficient to authorize the collection of a rate higher than the cap or a surcharge not previously authorized by a Commission Order or a majority vote of the Commission.

E. Timing of Implementation of Staff Recommendations

Collection of the unauthorized surcharges must cease no later than 30 days after the effective date of a Commission Order adopting any changes to its General Order. Regarding the new rate cap and rate design, any changes adopted by the Commission should be implemented for the next contract after an existing contract expires. In the event that a contract has an option, extension, or rollover provision, the Commission's new cap and rate design will apply to any such option, extension or rollover of the contract. However, regardless of the date of the

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expiration of any contract, the Commission's revised rate cap and rate design will be effective no later than 24 months after the effective date of a Commission Order adopting any changes to its General Order.

Respectfully submitted,

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